



Situation on 31 October 2018

TAXATION EUROPE

Excise duties and mechanisms for partial rebates on diesel in Europe

CNR presents its European overview of the taxation applied to diesel and the measures for rebates on excise duties for professionals operating vehicles with a GVWR greater than or equal to 7.5 tonnes. On 31 October 2018, eight out of twenty-eight European States applied a difference in taxation between diesel for commercial use and diesel for private use used as motor fuel. Newcomer to the increasingly less closed circle of States that have introduced an excise duty rebate mechanism, Portugal now counts among the European countries where the price of diesel for commercial use is the cheapest.

The CNR reviews them and gives the true cost of the specific taxation applied to professional diesel in Europe.

The disparity in the rates of taxation on diesel in Europe constitutes, after that of driving staff costs, an important source of competitive distortions in the road transport sector. This situation has been found to be incompatible with the normal functioning of the common market and, since 1992, in the spirit of harmonisation, Europe has set minimum rates of taxation applicable to motor fuel.

Today, the rules relating to excise duty rates in Europe are contained in Directive 2003/96/EC of 27 October 2003, the so-called "energy directive", structuring the Community framework for the taxation of energy products and electricity. This directive lays down the principle of a minimum rate for all, but nonetheless provides exceptions.

The principle: a minimum Community rate applicable to diesel

The Directive sets a minimum rate of taxation on diesel below which Member countries cannot go. Initially set at €24.50/hl by Directive 92/82/EEC of 19 October 1992, the minimum Community rate applicable to diesel was raised to €30.20/hl in 1 January 2004, then to **€33/hl, in 1 January 2010**.

This rate of €33/hl is the minimum rate still in force today.

For member countries that have not adopted the single currency¹, this rate is converted to the national currency at the official exchange rate of 1 October of the current year for the next year.

Exception 1: exemptions from the minimum thresholds granted depending on the country's living standards

Exemptions from the minimum thresholds were able to be negotiated according to the differentials in the living standard of the countries, notably at the time of the entry into the CEE in May 2004.

Until 1 January 2012, countries "facing difficulties in the application of the minimum levels of taxation" were thus able to benefit from transitional periods.

To this day, if the law is strictly interpreted, no country is supposed to benefit from this type of exemption any more. Even Croatia, a recent member of the European Union since 1 July 2013, is not

¹ Bulgaria, Croatia, Denmark, Hungary, Lithuania, Poland, Czech Republic, Romania, Sweden and the United Kingdom.

exempt from Article 7 of Directive 2003/96/EC and must apply the minimum rate of excise duty in force, namely €33/hl.

Exception 2: a difference in taxation between “diesel for commercial use” and “diesel for private use” used as motor fuel

A second exception in Article 7.2 of Directive 2003/96/EC gives the EU Member States the possibility of establishing a difference in taxation between “diesel for commercial use” and “diesel for private use”.

Specifically, the text provides that this difference may be used in the case “of the transport of goods on, behalf of others or on one’s own account, carried out by means of a motor vehicle or a coupled combination of vehicles intended exclusively for the carriage of goods by road and having a maximum authorised load weight equal to or greater than 7.5 tonnes”.

This difference in taxation can also be established “for the regular or occasional transport of passengers by a motor vehicle of category M2² or M3³”.

An important restriction in Article 7.2 of Directive 2003/96/EC is that this rate “for commercial use” may not be lower than that which was applied at the pumps on 1 January 2003, or €39.19/hl for France.

Countries applying a difference in taxation between “diesel for commercial use” and “diesel for private use”

In France, diesel said to be “for commercial use” is commonly called commercial diesel. French companies operating vehicles with a GVWR greater than or equal to 7.5 tonnes are well aware of their right to a partial refund of TICPE [domestic tax on the consumption of energy products]⁴. This rate of rebate corresponds to the difference between the total TICPE rate in force and the TICPE rate applied to commercial diesel inscribed in Article 265 septies of the Customs Code⁵. Since 2015, this rate has stood at €43.19/hl.

The National Road Transport Committee is, today, the only organisation which publishes a professional index taking into account the partial rebate of TICPE (CNR commercial diesel index).

Other countries than France have put in place a differentiated taxation for diesel for commercial use, on the basis of Article 7.2 of Directive 2003/96/EC.

This information could be useful to French carriers who would like to obtain a partial rebate for fuel purchased in a member country practising such a differentiation.

Excise duty rebate mechanisms are often complex and difficult to understand⁶. Drawing on international expertise, the National Road Transport Committee updates⁷, in this document, the various practices that exist today in the EU member countries.

Direct taxation remains the exclusive jurisdiction of the Member States. As long as they respect the European minima, excise duty can thus be modified at the discretion of national policies. In these conditions, it should be recalled that the information provided below was valid at the date of drafting.

² Vehicles designed and constructed for the carriage of passengers comprising, in addition to the driver's seat, more than eight seats and having a maximum mass not exceeding 5 tonnes

³ Vehicles designed and constructed for the carriage of passengers comprising, in addition to the driver's seat, more than eight seats and having a maximum mass exceeding 5 tonnes.

⁴ Under certain conditions: <http://www.douane.gouv.fr/articles/a12259-transporteurs-routiers-remboursement-des-taxes-de-carburant>

⁵ As amended by Act No. 2016-1918 of 29 December 2016 - Art. 89

⁶ Some specialised companies offer carriers their services for the recovery of this tax in Europe.

⁷ Previous version - March 2014

- Belgium: “Droit d’accise spécial” [Special excise duty]

Carriers operating vehicles of a GVWR greater than or equal to 7.5 tonnes purchasing diesel in Belgium, may apply for a rebate of part of the “special excise duty” which has been in place since 1 January 2004.

The amount of this rebate is not capped in volume. It evolves in accordance with the special excise duty on diesel according to a complex system with “positive and negative ratchet effects”. It cannot fall below the minimum level of European taxation of €33/hl⁸.

- ✓ On 31 October 2018, excise duty in Belgium stood at €60.02/hl.
- ✓ To this day, the partial rebate rate has stood at €24.76/hl.
- ✓ The net rate of excise duties applicable to commercial diesel is therefore €35.26/hl.

- Italy: “Aliquota d’Accisa” [Rate of Excise Duty]

The principle of a partial rebate of excise duty for heavy goods vehicles with a GVWR greater than or equal to 7.5 tonnes has existed since October 2001. This rebate is not capped in volume.

A ministerial decree issued each quarter sets its amount.

- ✓ On 31 October 2018, excise duty stood at €61.74/hl.
- ✓ To this day, the partial rebate rate has stood at €21.42/hl.
- ✓ The net rate of excise duties applicable to commercial diesel is therefore €40.32/hl.

- Spain: “Gasoleo profesional” [Commercial diesel]

In Spain, the rate of excise duty applied to diesel is composed of general excise duty of €30.7/hl and the federal state rate of €2.4/hl, i.e. a national rate of €33.1/hl, to which is added a regional rate set independently by each autonomous community. Some regions may decide not to apply this duty.

A measure for a partial rebate of excise duty for heavy goods vehicles with a GVWR equal to or greater than 7.5 tonnes has existed since 2007. It is capped at 50,000 litres per vehicle and per year. Unlike in France, there is no single lump sum rebate rate. The rebates are given strictly depending on the supply regions and the rate that they practise. Especially, they are automatically taken into account during payment in the service station, thanks to payment cards dedicated to vehicles.

- ✓ On 31 October 2018, excise duty in Spain stood at €36.73/hl (€33.10/hl + regional parts).
- ✓ The rate of rebate corresponds to the difference between the rate of excise duty applied to diesel in the region and the Community minimum rate applicable to diesel (€33/hl).
- ✓ The net rate of excise duties applicable to commercial diesel is therefore €33/hl.

⁸ Rate higher than that which was applied at the pumps on 1 January 2003 in Belgium (€30.50/hl)

Excise duty rebates in Spain depending on the autonomous region where the purchase was made	
Date of validity: since 1 January 2018	
Region	Total rebate €/hl
Andalusia	€4.90
Aragon	€2.50
Principality of Asturias	€4.10
The Balearic Islands	€4.90
Cantabria	€0.10
Castilla-la Mancha	€4.90
Castille and Leon	€0.10
Catalonia	€4.90
Extremadura	€3.94
Galicia	€4.90
Community of Madrid	€1.80
Region of Murcia	€4.90
Autonomous Community of Navarre	€0.10
La Rioja	€0.10
Valencian Community	€4.90
Basque Autonomous Community	€0.10

- Hungary

Partial rebates of excise duty for heavy goods vehicles with a GVWR equal to or greater than 7.5 tonnes have existed since 1 January 2011. It is not capped in volume.

Hungary is not in the Eurozone. Its currency (the Forint) fluctuates against the Euro (EUR 1 = HUF 322.173 - 31/10/2018).

- ✓ On 31 October 2018, excise duty stood at €34.93/hl.
- ✓ The amount of the rebate is set annually by the Hungarian tax authorities. It has stood at HUF 7/litre since January 1 2017, or about €2.15/hl on 31/10/2018.
- ✓ The net rate of excise duties applicable to commercial diesel is therefore €32.76/hl (approximate rate – currency effects).

- Portugal

Portugal has applied a difference in taxation between diesel for commercial use and diesel for private use used as motor fuel since 1 January 2017. It is capped at 30,000 litres per vehicle and per year.

- ✓ On 31 October 2018, excise duty stood at €47.11/hl.
- ✓ The amount of the rebate has stood at €14.10/hl.
- ✓ The net rate of excise duties applicable to commercial diesel is therefore €33.01/hl.

- Romania

Since 2014, transport companies have benefited from a rebate system for the regional part of excise duties. In accordance with the Government Decision of 17 July 2018, the amount of the rebate stood at Lei 183.62/1,000 litres, namely €3.94/hl. It is not capped in volume.

- ✓ On 31 October 2018, excise duty stood at €39.38/hl.
- ✓ The amount of the rebate has stood at Lei 183.62/1,000 litres, namely €3.94/hl.
- ✓ The net rate of excise duties applicable to commercial diesel is therefore €35.44/hl.

- Slovenia

In Slovenia, it has been possible to obtain a rebate for a portion of the excise duty on diesel for vehicles with a GVWR equal to or greater than 7.5 tonnes since 1 July 2009. The amount of excise duties is not fixed. It is calculated depending on the price of fuel and it includes an environmental tax and other indirect taxes. It is not capped in volume.

- ✓ On 31 October 2018, the excise duty stood at €46.90/hl.
- ✓ To this day, the partial rebate rate has stood at €6.27/hl.
- ✓ The net rate of excise duties applicable to commercial diesel is therefore €40.63/hl.

- France (reminder)

In France, companies that use road vehicles intended for the transport of goods and public road transport operators can benefit, under certain conditions, from a partial rebate of the domestic tax on the consumption of energy products (TICPE).

Concerning haulage companies, the eligible vehicles are road vehicles with a GVWR equal to or greater than 7.5 tonnes and intended for the transport of goods. They must, furthermore, be registered in one of the countries of the European Union.

The rebate rates are equal to the difference between the price of the domestic consumption tax (TIC) in force in the region of purchase of the fuel for the period considered and the TICPE rate for commercial diesel of €43.19/hl.

By way of simplification, it is proposed that businesses which want to, and which supply themselves in at least three different regions, can opt for a single lump sum rebate rate. The amount of the weighted average rebate rate, referred to in Articles 265 septies and octies of the Customs Code, was €17.75/hl in 2018.

- ✓ On 31 October 2018, the Oil Bulletin published by the European Commission communicated an excise duty for mainland France of €60.95/hl. The weighted excise duty rate amounts to €60.94/hl by integrating the consumptions of Corsica.
- ✓ The amount of the partial TICPE rebate has stood at €17.75/hl in 2018.
- ✓ The net rate of excise duties applicable to commercial diesel is therefore €43.19/hl.

Summary tables

Ranking of countries according to the level of excise duties applied “to diesel for private use” *Situation on 31 October 2018*

COUNTRY	Excise duty on "diesel fuel for private use" (in €/hl)	RANK
United Kingdom	65.54	1
Italy	61.74	2
France	60.94	3
Belgium	60.02	4
Ireland	49.90	5
The Netherlands	49.78	6
Estonia	49.30	7
Malta	47.24	8
Portugal	47.11	9
Germany	47.04	10
Slovenia	46.90	11
Cyprus	46.07	12
Finland	45.99	13
Sweden	44.27	14
Czech Republic	42.36	15
Greece	42.30	16
Denmark	42.20	17
Croatia	41.17	18
Austria	40.96	19
Slovakia	39.77	20
Romania	39.38	21
Latvia	38.23	22
Spain	36.73	23
Hungary	34.93	24
Lithuania	34.70	25
Poland	34.12	26
Luxembourg	33.50	27
Bulgaria	33.03	28
Standard deviation	8.81	
Range	32.51	
Average	44.83	

 Countries allowing a partial refund

Source: Oil Bulletin - European Commission - Reprocessing CNR

Ranking of countries according to the level of excise duties applied “to diesel for commercial use” Situation on 31 October 2018, with the rate of exchange in force at this date

COUNTRY	Excise duty on "diesel fuel for commercial use" (in €/hl)	RANK
United Kingdom	65.54	1
Ireland	49.90	2
The Netherlands	49.78	3
Estonia	49.30	4
Malta	47.24	5
Germany	47.04	6
Cyprus	46.07	7
Finland	45.99	8
Sweden	44.27	9
France	43.19	10
Czech Republic	42.36	11
Greece	42.30	12
Denmark	42.20	13
Croatia	41.17	14
Austria	40.96	15
Slovenia	40.63	16
Italy	40.32	17
Slovakia	39.77	18
Latvia	38.23	19
Romania	35.44	20
Belgium	35.26	21
Lithuania	34.70	22
Poland	34.12	23
Luxembourg	33.50	24
Bulgaria	33.03	25
Portugal	33.01	26
Spain	33.00	27
Hungary	32.78	28
Standard deviation	7.31	
Range	32.76	
Average	41.47	

 Countries allowing a partial refund

Source: Oil Bulletin - European Commission - Reprocessing CNR

Summary

With the United Kingdom, soon to be outside the EU, whose excise duties are historically high, Italy, France and Belgium are in the top 4 of the countries where excise duty on diesel “for private use” is the highest, exceeding €60/hl.

Three of the four countries displaying the highest excise duties in Europe have a mechanism for a partial rebate on commercial diesel, as the objective of these States is to rebalance the state of play. This rebalancing does not work everywhere with the same efficiency. Thanks to national arrangements, Italy and Belgium have been able to move from 2nd to 17th place and from 4th to 21st place respectively, placing themselves below the European average. It is not exactly the same for France, which, with its commercial diesel, only drops by 7 places, thus remaining in the camp of the countries where excise duties are higher than the EU net average (€41.47/hl).

For the other countries applying a differentiation between diesel fuel for private use and diesel fuel for commercial use, including Spain, Hungary and now Portugal, the number one goal is not to reduce the gap compared to the European average. It is, rather, to achieve the minima authorised by Europe in the framework of the Energy Directive and to compete with the countries where taxes are the lowest, such as Poland, Lithuania or Luxembourg, whose level of excise duties is significantly lower than its neighbours. The mechanism has been particularly efficient for Portugal which has been able to move from 9th to 26th place.

One may note the particular case of Romania, whose ranking hardly changes after the partial rebate of excise duties.

Whether adjusted or not, the excise duty applied to diesel remains extremely diverse in the EU. That applied to commercial diesel has a legal minimum of €33/hl, observed gradually in four countries, and a maximum observed in the United Kingdom of €65.54/hl, i.e. a range of €32.76/hl.

It is difficult to establish with certainty in what proportions these differences distort the international road transport market. To measure it, it would undoubtedly be appropriate to take into account all the taxes and charges levied on transport activities in each of the countries. Nevertheless, it is clear that European companies, depending on the country where they are established, are not all equal faced with the tax regimes applied on diesel. Today, companies whose main activity is international transport are benefiting fully from these differences. They may, in fact, choose to purchase in an inexpensive country and trigger partial rebate mechanisms when they exist. A windfall, without doubt strengthened by the fact that these companies, with fleets of modern and fuel-efficient vehicles, are today able to cross Europe from East to West in almost two weeks and with a single tank of diesel.

Diesel is the 2nd biggest cost item in the operation of an HGV. On this point, European harmonisation of competition conditions remains perfectible.